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Opening Address by the Chairman,  
the Hon. **LIM HNG KIANG**,  
Governor of the Fund and the Bank for **SINGAPORE**,  
at the Joint Annual Discussion

**THE CHAIRMAN'S OPENING ADDRESS  
2004 ANNUAL MEETINGS OF THE IMF/WORLD BANK GROUP  
BOARDS OF GOVERNORS  
OCTOBER 3, 2004**

Managing Director de Rato, President Wolfensohn, fellow Governors,  
Excellencies, ladies and gentlemen:

**INTRODUCTION**

1. Welcome to the 2004 Annual Meetings of the International Monetary Fund and the World Bank Group. It is indeed a great honor for Singapore and for me personally to be chairing these meetings.

2. On behalf of all the Governors, I would like to extend a warm welcome to the new Managing Director of the IMF, Mr. Rodrigo de Rato. We look forward to his leadership of the IMF. Together with Mr. Wolfensohn of the World Bank, we believe that the two of them will play a critical role in leading the IMF and the World Bank during this critical juncture in the global economy.

3. I would also like to express our deepest appreciation to the former Managing Director Horst Köhler for the energy and focus he brought to the IMF. I am sure all of you join me in congratulating him on his assumption of the Presidency of the German Federal Republic.

### **60 YEARS OF THE BRETTON WOODS INSTITUTIONS**

4. Fellow Governors, this year's meetings coincide with the 60<sup>th</sup> anniversary of the founding of the Bretton Woods Institutions. The past six decades have been a period of general stability and rising prosperity. Economic growth and development have improved the quality of life for millions of ordinary people. However, given the ever increasing pace of globalization, important challenges remain: poverty still plagues much of the world's population; not enough people have benefited from the positive scale of globalization; and the voices of the poor have sometimes been drowned out. It is vital that we learn the right lessons from the past sixty years, so that we can all work together to secure greater prosperity and equity going forward.

5. Let me highlight three key lessons. First, a stable macroeconomic framework and sound economic policies are prerequisites for sustainable growth. For developing countries, we need rapid economic growth to raise living standards and reduce poverty. Through its surveillance work, the IMF has encouraged and assisted member countries to implement policies that will reduce the risk of crisis and make their economies more resilient. The IMF also emphasizes the soundness of economic policies, including a greater focus on debt sustainability, financial sector health, and sound institutions and governance.

6. Second, structural and macroeconomic reforms are necessary to strengthen prospects for growth and poverty reduction. The development record of the past sixty years has shown that the main drivers of economic growth—entrepreneurship, investment, and innovation by the private sector—depend strongly on the right environment. And the right environment includes sound macroeconomic policies, openness to trade, good governance and institutions, strong financial markets, and the availability of key physical infrastructure.

7. Third promoting free and open trade. We have also witnessed how important international trade has been for economic development and poverty reduction. In this regard, we are optimistic about the agreement reached in July on a negotiating framework for the next stages of the Doha round of international trade talks. While there will be transitional difficulties in some countries, there is no doubt that a successful Doha round will benefit all countries, especially those in the developing world. These benefits will be much more substantial and far-reaching than the existing levels of concessional assistance to developing countries.

8. The IMF and the World Bank have played crucial roles in promoting the global agenda. Going forward, they must ensure that their support for members—in terms of policy advice, capacity building, and financial assistance—remains effective and relevant. For instance, IMF surveillance should increasingly focus not only on the financial systems of individual countries, but on their systemic implications on global financial stability. In trade, the World Bank, as well as the IMF, should continue to strongly support efforts to promote trade and investment liberalization.

## **DEVELOPMENTAL EXPERIENCES IN ASIA**

9. Fellow Governors, the positive development experiences of the last six decades could be illustrated by the example of the Asian economies. Rapid economic growth in East and South Asia has pulled hundreds of millions of people out of poverty. The lesson from Asia's economic performance is that, with appropriate policies and strong commitment, it is possible for countries to grow rapidly over an extended period of time. The Bretton Woods Institutions have contributed significantly to the development of Asia.

10. In recent years, particularly after the financial crisis in the region, IMF initiatives and surveillance have focused on helping countries to strengthen their policymaking processes. This has helped bolster the ability of the Asian economies to generate growth, prevent future crises, and withstand shocks. The World Bank, meanwhile, is moving toward a longer-term accelerated development framework in Asia, focused on achieving high rates of economic growth, improving global and intra-regional integration, enhancing social stability, achieving the Millennium Development Goals and strengthening governance.

11. Asia's role in the world economy is growing. Many important developments in this century will originate from the region and will likely have important implications not only within Asia, but on global affairs. An example is China's and India's increasing prominence in the global economy. Their continued economic success and stability will become increasingly more important for other countries in the region and around the world.

12. This underscores the importance for the two institutions to strengthen their engagement with Asia, as there are and will be many developments within the region that will have an impact on global financial stability. A significant development in Asia is the greater urgency for regional financial and economic integration. Asian economies have started pursuing Free Trade Agreements very aggressively both at the bilateral and regional levels. For instance, the Association of South East Asian Nations, or ASEAN, is negotiating Free Trade Agreements with China, India, Japan, and Korea. In recent years, there have also been suggestions to work toward an East Asia Community, where there will be free movement of goods, capital, and people.

13. On the financial front, ASEAN plus the three partner countries, China, Japan, and Korea—what we affectionately term as the ASEAN+3 countries—have also launched a number of important initiatives, including the Asian Bond Market Initiative and the Chiang Mai Initiative to strengthen regional financial cooperation. These initiatives are aimed at peer surveillance, additional mutual support during balance of payments liquidity problems, and developing the domestic bond markets. These will contribute toward the overall resilience and dynamism of Asian markets.

## **GOING FORWARD**

14. Fellow Governors, although it has been sixty years since the founding of the Bretton Woods Institutions, the core principles and mandate of the two institutions continue to be relevant. However, some adjustments will have to be made to respond to the challenges of the current realities.

15. First, the threats of terrorism and violence have added new complexities to the work of the IMF and the World Bank. We have seen—for the first time—aid workers and staff of the United Nations and the Bretton Woods Institutions being targeted by extremists. While these threats



are real and current, we must not allow them to impede the growth and developmental efforts that the IMF and the World Bank have actively been pursuing. We have to find ways to continue life as normal, while being prepared for the unthinkable.

16. Second, the world is more closely integrated than sixty years ago, and will become increasingly so. Events in one part of the globe will quickly affect the rest of the world. To be effective, our response must be comprehensive; our actions must be more timely; our commitment must be global.

17. Third, the structure of the global economy is quite different from what it was sixty years ago. As we look ahead, we see the need for fundamental reforms to give all member countries a voice in the two Bretton Woods Institutions. This is crucial for equity and proper governance, and ultimately for the political credibility and legitimacy of the two institutions. Only in this way can we maintain the framework of cooperation that has worked so well in the past and remains critical in the period ahead.

## **CONCLUSION**

18. Fellow Governors, the strength of the economic and financial system established in 1944 has been its multilateral character and its ability to adapt to the changing economic and financial landscape. On this 60<sup>th</sup> anniversary of the Bretton Woods Institutions, let us all reaffirm our commitment to this framework of cooperation. Let us be bold and innovative as the global economy continues to change at a rapid pace. But most important of all, let us spread progress and prosperity to all countries so that no one is left behind.

19. With these remarks, let us now turn to the work at hand. I hereby declare the 2004 Annual Meetings of the International Monetary Fund and the World Bank Group open.